



5582 04/24/06

\$7,200.00 ✓

OFFICE OF
INSURANCE COMMISSIONER

In the Matter of:

No. D06-148

FEDERATED RURAL ELECTRIC)
INSURANCE EXCHANGE,)CONSENT ORDER
IMPOSING A FINEAn Authorized Insurer.)
_____)Findings of Fact:

1. Federated Rural Electric Insurance Exchange ("Federated Rural Electric") is a foreign insurer authorized to conduct insurance business in Washington State. It issues property, casualty, marine transportation, vehicle and surety insurance.
2. On February 22, 2005, Federated Rural Electric made an electronic filing to the Office of the Insurance Commissioner ("OIC"). The filing contained a Supplemental Compensation Exhibit ("SCE") but did not contain the 2004 annual statement or any other required documents. An SCE is not a required document for a foreign insurer. The OIC Annual Statement Processing System automatically sent an email to Federated Rural Electric at 1:40 PM the same day, listing in the accepted documents section only the SCE.
3. Federated Rural Electric filed its 2004 annual report and 2004 April supplemental filing on April 21, 2005.
4. RCW 48.05.250 requires that insurers submit an annual statement of the preceding year to the OIC before the first day of March of the following year. April supplemental filings are due on the first day of April of the following year. The statute permits the Commissioner to revoke or suspend the insurer's certificate of authority for failure to so submit.
6. RCW 48.05.185 permits the Commissioner to levy a fine in addition to or in lieu of revocation or suspension of an insurer's certificate of authority.
7. Washington Administrative Code § 284-07-050(2) requires an insurer's annual statement and supplemental filings to be executed and submitted in accordance with the appropriate *Annual Statement Instructions* and *Accounting Practices and Procedures Manuals* promulgated by the National Association of Insurance Commissioners.
8. Federated Rural Electric failed to timely file its 2004 annual statement and 2004 April supplemental filing with the OIC.



Conclusion of Law:

Federated Rural Electric's failure to timely file its 2004 annual statement and 2004 April supplemental filing with the OIC constitutes two violations of RCW 48.05.250.

Consent to Order:

Federated Rural Electric consents to the following, in order to resolve this matter without further administrative or judicial proceedings and the Insurance Commissioner consents to resolve this matter in consideration of the insurer's payment of a fine as set forth below.

1. Federated Rural Electric consents to entry of the foregoing Findings of Fact and Conclusions of Law, and acknowledges its duty to comply fully with the applicable laws of the State of Washington, and waive further administrative or legal challenge to the actions taken, or to be taken, by the Insurance Commissioner related to the subject matter of this order.
2. Within thirty days of entry of this Order, Federated Rural Electric will pay to the OIC a fine in the amount of \$7,200 (seven thousand two hundred dollars).
3. If the fine is not timely paid in full, this will constitute grounds for the suspension or revocation of the certificate of authority held by Federated Rural Electric in the State of Washington. It will also result in a civil action being filed by the Attorney General on behalf of the Insurance Commissioner, to recover the amount of the fine.

Executed this 10th day of APRIL, 2006.

FEDERATED RURAL ELECTRIC INSURANCE EXCHANGE

By: [Signature]
Printed Name: Kelly King
Printed Corporate Title: Controller

Order:

Pursuant to the foregoing Findings of Fact, Conclusions of Law, and Consent to Order, the Insurance Commissioner orders as follows:

1. Federated Rural Electric Insurance Exchange is ordered to pay, within thirty days of the entry of this Order, a fine in the amount of \$7,200 (seven thousand two hundred dollars).
2. Failure to timely pay the fine shall constitute grounds for suspension or revocation of the certificate of authority held by Federated Rural Electric Insurance Exchange in Washington

State. It will also result in a civil action being brought by the Attorney General on behalf of the Insurance Commissioner, to collect the fine.

Executed this 17th day of April, 2006

MIKE KREIDLER
Insurance Commissioner

By: Marcia G. Stickler

Marcia G. Stickler
Legal Affairs Division